

## ***Basic Financial Statements***

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## STATEMENT OF NET ASSETS

JUNE 30, 2009

|   | Primary Government      |                          |                |                |
|---|-------------------------|--------------------------|----------------|----------------|
|   | Governmental Activities | Business-type Activities | Total          | Component Unit |
| ASSETS  |                         |                          |                |                |
| CURRENT:  |                         |                          |                |                |
| Cash and cash equivalents.....                        | \$ 31,463,340           | \$ 6,956,593             | \$ 38,419,933  | \$ 252,943     |
| Restricted cash and short-term investments.....       | 31,730                  | -                        | 31,730         | -              |
| Investments.....                                      | -                       | -                        | -              | 872,382        |
| Receivables, net of allowance for uncollectibles:     |                         |                          |                |                |
| Real estate, personal property and tax deferrals..... | 1,212,761               | -                        | 1,212,761      | -              |
| Tax liens.....  | 764,632                 | -                        | 764,632        | -              |
| Motor vehicle and other excise taxes.....             | 185,416                 | -                        | 185,416        | -              |
| User charges.....                                     | 439,451                 | 2,551,277                | 2,990,728      | -              |
| Sewer fees.....                                       | 4,958                   | -                        | 4,958          | -              |
| Departmental and other.....                           | 235,722                 | 433,040                  | 668,762        | -              |
| Special assessments.....                              | 273,211                 | -                        | 273,211        | -              |
| Intergovernmental.....                                | 2,657,665               | -                        | 2,657,665      | -              |
| Tax foreclosures.....                                 | 155,240                 | -                        | 155,240        | -              |
| Inventory.....  | -                       | 903,021                  | 903,021        | -              |
| Purchased power advance deposits.....                 | -                       | 902,992                  | 902,992        | -              |
| Other assets.....                                     | -                       | 509,374                  | 509,374        | -              |
| Total Current Assets.....                             | 37,424,126              | 12,256,297               | 49,680,423     | 1,125,325      |
| NONCURRENT:   |                         |                          |                |                |
| Receivables, net of allowance for uncollectibles:     |                         |                          |                |                |
| Special assessments.....                              | 1,795,917               | -                        | 1,795,917      | -              |
| Intergovernmental.....                                | 18,038,028              | -                        | 18,038,028     | -              |
| Investment in Hydro Quebec.....                       | -                       | 41,006                   | 41,006         | -              |
| Investment in Energy New England, LLC.....            | -                       | 150,000                  | 150,000        | -              |
| Capital assets, non depreciable.....                  | 55,003,389              | 7,314,844                | 62,318,233     | -              |
| Capital assets, net of accumulated depreciation.....  | 72,814,634              | 28,466,862               | 101,281,496    | 158,938        |
| Total Noncurrent Assets.....                          | 147,651,968             | 35,972,712               | 183,624,680    | 158,938        |
| TOTAL ASSETS.....                                     | 185,076,094             | 48,229,009               | 233,305,103    | 1,284,263      |
| LIABILITIES   |                         |                          |                |                |
| CURRENT:  |                         |                          |                |                |
| Warrants payable.....                                 | 4,699,885               | 4,652,154                | 9,352,039      | 6,514          |
| Accrued liabilities.....                              | -                       | 2,222,428                | 2,222,428      | -              |
| Accrued payroll.....                                  | 1,761,457               | -                        | 1,761,457      | -              |
| Tax refunds payable.....                              | 282,200                 | -                        | 282,200        | -              |
| Accrued interest.....                                 | 1,112,587               | 17,092                   | 1,129,679      | -              |
| Payroll withholdings.....                             | 686,226                 | -                        | 686,226        | -              |
| Unearned revenues.....                                | 326,562                 | -                        | 326,562        | -              |
| Capital lease obligations.....                        | -                       | 184,439                  | 184,439        | -              |
| Compensated absences.....                             | 859,300                 | 9,205                    | 868,505        | -              |
| Workers' compensation.....                            | 119,120                 | -                        | 119,120        | -              |
| Landfill closure.....                                 | 200,000                 | -                        | 200,000        | -              |
| Bonds and notes payable.....                          | 8,824,582               | 125,000                  | 8,949,582      | -              |
| Total Current Liabilities.....                        | 18,871,919              | 7,210,318                | 26,082,237     | 6,514          |
| NONCURRENT:   |                         |                          |                |                |
| Capital lease obligations.....                        | -                       | 357,375                  | 357,375        | -              |
| Compensated absences.....                             | 282,000                 | -                        | 282,000        | -              |
| Workers' compensation.....                            | 114,585                 | -                        | 114,585        | -              |
| Rate stabilization reserve.....                       | -                       | 1,724,467                | 1,724,467      | -              |
| Customer deposits.....                                | -                       | 983,250                  | 983,250        | -              |
| Other post-employment benefits.....                   | 3,597,162               | 95,094                   | 3,692,256      | -              |
| Landfill closure.....                                 | 1,217,000               | -                        | 1,217,000      | -              |
| Bonds and notes payable.....                          | 70,429,667              | 1,340,000                | 71,769,667     | -              |
| Total Noncurrent Liabilities.....                     | 75,640,414              | 4,500,186                | 80,140,600     | -              |
| TOTAL LIABILITIES.....                                | 94,512,333              | 11,710,504               | 106,222,837    | 6,514          |
| NET ASSETS  |                         |                          |                |                |
| Invested in capital assets, net of related debt.....  | 77,520,944              | 33,774,892               | 111,295,836    | 158,938        |
| Restricted for:                                       |                         |                          |                |                |
| Permanent funds:                                      |                         |                          |                |                |
| Expendable.....                                       | 64,902                  | -                        | 64,902         | -              |
| Nonexpendable.....                                    | 35,000                  | -                        | 35,000         | -              |
| Grants and gifts.....                                 | 1,803,981               | -                        | 1,803,981      | -              |
| Community preservation.....                           | 1,842,415               | -                        | 1,842,415      | -              |
| Unrestricted.....                                     | 9,296,519               | 2,743,613                | 12,040,132     | 1,118,811      |
| TOTAL NET ASSETS.....                                 | \$ 90,563,761           | 36,518,505               | \$ 127,082,266 | \$ 1,277,749   |

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

|                                       |                | Program Revenues     |                                    |                                  |                       |  |
|---------------------------------------|----------------|----------------------|------------------------------------|----------------------------------|-----------------------|--|
| Functions/Programs                    | Expenses       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue |  |
| <b>Primary Government:</b>            |                |                      |                                    |                                  |                       |  |
| <i>Governmental Activities:</i>       |                |                      |                                    |                                  |                       |  |
| General government.....               | \$ 4,631,169   | \$ 796,484           | \$ 592,792                         | \$ -                             | \$ (3,241,893)        |  |
| Public safety.....                    | 14,972,434     | 1,993,270            | 653,370                            | -                                | (12,325,794)          |  |
| Public education.....                 | 55,777,553     | 1,925,323            | 14,503,805                         | 8,823,499                        | (30,524,926)          |  |
| Public works.....                     | 9,592,257      | 2,338,091            | 1,082,062                          | 1,487,219                        | (4,684,885)           |  |
| Human services.....                   | 1,276,418      | 148,620              | 172,701                            | -                                | (955,097)             |  |
| Culture and recreation.....           | 2,996,585      | 639,376              | 24,337                             | -                                | (2,332,872)           |  |
| Community preservation.....           | 60,905         | -                    | 687,693                            | -                                | 626,788               |  |
| Interest.....                         | 1,945,209      | -                    | 780,656                            | -                                | (1,164,553)           |  |
| Total Governmental Activities.....    | 91,252,530     | 7,841,164            | 18,497,416                         | 10,310,718                       | (54,603,232)          |  |
| <i>Business-Type Activities:</i>      |                |                      |                                    |                                  |                       |  |
| South Shore Country Club.....         | 1,574,791      | 1,668,284            | -                                  | -                                | 93,493                |  |
| Hingham Municipal Lighting Plant..... | 27,542,592     | 27,622,993           | -                                  | -                                | 80,401                |  |
| Total Business-Type Activities.....   | 29,117,383     | 29,291,277           | -                                  | -                                | 173,894               |  |
| Total Primary Government.....         | \$ 120,369,913 | \$ 37,132,441        | \$ 18,497,416                      | \$ 10,310,718                    | \$ (54,429,338)       |  |
| <b>Component Unit:</b>                |                |                      |                                    |                                  |                       |  |
| Hingham Public Library.....           | \$ 1,871,232   | \$ 60,894            | \$ 71,148                          | \$ -                             | \$ (1,739,190)        |  |

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

|   | Primary Government      |                          |                 | Component Unit |
|---|-------------------------|--------------------------|-----------------|----------------|
|   | Governmental Activities | Business-Type Activities | Total           |                |
| <b>Changes in net assets:</b>                                     |                         |                          |                 |                |
| Net (expense) revenue from previous page.....                     | \$ (54,603,232)         | \$ 173,894               | \$ (54,429,338) | \$ (1,739,190) |
| <i>General revenues:</i>  |                         |                          |                 |                |
| Real estate and personal property taxes, net of tax refunds.....  | 55,286,189              | -                        | 55,286,189      | -              |
| Tax liens.....  | 49,620                  | -                        | 49,620          | -              |
| Motor vehicle and other excise taxes.....                         | 3,041,293               | -                        | 3,041,293       | -              |
| Community preservation tax.....                                   | 687,190                 | -                        | 687,190         | -              |
| Penalties and interest on taxes.....                              | 208,962                 | -                        | 208,962         | -              |
| Grants and contributions not restricted to specific programs..... | 1,964,357               | -                        | 1,964,357       | -              |
| Interest income.....  | 445,427                 | 240,577                  | 686,004         | 24,174         |
| Payments from the Town of Hingham.....                            | -                       | -                        | -               | 1,415,875      |
| Total general revenues.....                                       | 61,683,038              | 240,577                  | 61,923,615      | 1,440,049      |
| Change in net assets.....   | 7,079,806               | 414,471                  | 7,494,277       | (299,141)      |
| <i>Net Assets:</i>  |                         |                          |                 |                |
| Beginning of year.....  | 83,483,955              | 36,104,034               | 119,587,989     | 1,576,890      |
| End of year.....  | \$ 90,563,761           | \$ 36,518,505            | \$ 127,082,266  | \$ 1,277,749   |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

|  | General              | State<br>Fiscal<br>Stabilization<br>Fund | Affordable<br>Housing<br>Trust | New<br>Elementary<br>School | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|--|--------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |  |                                |                             |                                   |                                |
| Cash and cash equivalents.....                         | \$ 10,890,337        | \$ -                                     | \$ 499,869                     | \$ 5,791,238                | \$ 14,281,896                     | \$ 31,463,340                  |
| Restricted cash and cash equivalents.....              | -                    | -  | -                              | -                           | 31,730                            | 31,730                         |
| Receivables, net of uncollectibles:                    |                      |  |                                |                             |                                   |                                |
| Real estate, personal property and tax deferrals ..... | 1,212,761            | -  | -                              | -                           | -                                 | 1,212,761                      |
| Tax liens.....   | 764,632              | -  | -                              | -                           | -                                 | 764,632                        |
| Excise taxes.....                                      | 185,416              | -  | -                              | -                           | -                                 | 185,416                        |
| Departmental and other.....                            | 230,136              | -  | -                              | -                           | 5,586                             | 235,722                        |
| User charges.....                                      | -                    | -  | -                              | -                           | 444,409                           | 444,409                        |
| Special assessments.....                               | 2,069,128            | -  | -                              | -                           | -                                 | 2,069,128                      |
| Intergovernmental.....                                 | 19,367,861           | -  | -                              | 346,260                     | 981,572                           | 20,695,693                     |
| Tax foreclosures.....                                  | 155,240              | -  | -                              | -                           | -                                 | 155,240                        |
| Due from other funds.....                              | -                    | -  | -                              | -                           | 226,434                           | 226,434                        |
| <b>TOTAL ASSETS.....</b>                               | <b>\$ 34,875,511</b> | <b>\$ -</b>                              | <b>\$ 499,869</b>              | <b>\$ 6,137,498</b>         | <b>\$ 15,971,627</b>              | <b>\$ 57,484,505</b>           |
| <b>LIABILITIES</b>                                     |                      |  |                                |                             |                                   |                                |
| <b>LIABILITIES:</b>                                    |                      |  |                                |                             |                                   |                                |
| Warrants payable.....                                  | \$ 663,503           | \$ -                                     | \$ 126                         | \$ 2,805,543                | \$ 1,230,713                      | \$ 4,699,885                   |
| Accrued payroll.....                                   | 1,761,457            | -  | -                              | -                           | -                                 | 1,761,457                      |
| Tax refunds payable.....                               | 282,200              | -  | -                              | -                           | -                                 | 282,200                        |
| Accrued interest on short-term debt.....               | 523,071              | -  | 127,947                        | -                           | -                                 | 651,018                        |
| Other liabilities.....                                 | 686,226              | -  | -                              | -                           | -                                 | 686,226                        |
| Deferred revenues and advance collections.....         | 23,859,119           | -  | -                              | -                           | 1,366,335                         | 25,225,454                     |
| Due to other funds.....                                | -                    | -  | -                              | -                           | 226,434                           | 226,434                        |
| Notes payable.....                                     | -                    | -  | -                              | 2,928,166                   | 483,310                           | 3,411,476                      |
| <b>TOTAL LIABILITIES.....</b>                          | <b>27,775,576</b>    | <b>-</b>                                 | <b>128,073</b>                 | <b>5,733,709</b>            | <b>3,306,792</b>                  | <b>36,944,150</b>              |
| <b>FUND BALANCES:</b>                                  |                      |  |                                |                             |                                   |                                |
| Reserved for:  |                      |  |                                |                             |                                   |                                |
| Encumbrances and continuing appropriations.....        | 978,675              | -  | -                              | -                           | -                                 | 978,675                        |
| Perpetual permanent funds.....                         | -                    | -  | -                              | -                           | 35,000                            | 35,000                         |
| Unreserved:  |                      |  |                                |                             |                                   |                                |
| Designated for subsequent year's expenditures....      | 575,000              | -  | -                              | -                           | -                                 | 575,000                        |
| Undesignated, reported in:                             |                      |  |                                |                             |                                   |                                |
| General fund.....                                      | 5,546,260            | -  | -                              | -                           | -                                 | 5,546,260                      |
| Special revenue funds.....                             | -                    | -  | -                              | -                           | 6,476,412                         | 6,476,412                      |
| Capital projects funds.....                            | -                    | -  | 371,796                        | 403,789                     | 6,088,521                         | 6,864,106                      |
| Permanent funds.....                                   | -                    | -  | -                              | -                           | 64,902                            | 64,902                         |
| <b>TOTAL FUND BALANCES.....</b>                        | <b>7,099,935</b>     | <b>-</b>                                 | <b>371,796</b>                 | <b>403,789</b>              | <b>12,664,835</b>                 | <b>20,540,355</b>              |
| <b>TOTAL LIABILITIES AND FUND BALANCES.....</b>        | <b>\$ 34,875,511</b> | <b>\$ -</b>                              | <b>\$ 499,869</b>              | <b>\$ 6,137,498</b>         | <b>\$ 15,971,627</b>              | <b>\$ 57,484,505</b>           |

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

|   |                      |
|---|----------------------|
| Total governmental fund balances.....   | \$ 20,540,355        |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....                      | 127,818,023          |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are deferred in the funds.....                              | 24,898,892           |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due..... | (461,569)            |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds                           |                      |
| Bonds and notes payable.....  | (75,842,773)         |
| Compensated absences.....   | (1,141,300)          |
| Workers' compensation.....  | (233,705)            |
| Landfill closure.....   | (1,417,000)          |
| Other post-employment benefits.....   | (3,597,162)          |
| Net effect of reporting long-term liabilities.....  | (82,231,940)         |
| Net assets of governmental activities.....  | \$ <u>90,563,761</u> |

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2009

|   | General             | State<br>Fiscal<br>Stabilization<br>Fund | Affordable<br>Housing<br>Trust | New<br>Elementary<br>School | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|--------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                     |  |                                |                             |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 55,193,649       | \$ -                                     | \$ -                           | \$ -                        | \$ -                              | \$ 55,193,649                  |
| Tax liens.....  | 49,620              | -  | -                              | -                           | -                                 | 49,620                         |
| Motor vehicle and other excise taxes.....                                 | 3,130,199           | -  | -                              | -                           | -                                 | 3,130,199                      |
| Penalties and interest.....   | 208,962             | -  | -                              | -                           | -                                 | 208,962                        |
| Charges for services.....   | 1,579,671           | -  | -                              | -                           | 2,222,479                         | 3,802,150                      |
| Intergovernmental.....  | 8,642,472           | 510,109                                  | -                              | 8,823,499                   | 5,003,968                         | 22,980,048                     |
| State grant for teachers pension.....                                     | 7,345,883           | -  | -                              | -                           | -                                 | 7,345,883                      |
| Departmental and other.....   | 1,662,456           | -  | -                              | -                           | 3,550,815                         | 5,213,271                      |
| Community preservation tax.....   | -                   | -  | -                              | -                           | 687,190                           | 687,190                        |
| Contributions.....  | -                   | -  | -                              | -                           | 247,644                           | 247,644                        |
| Interest income.....  | 413,486             | -  | 9,929                          | -                           | 22,012                            | 445,427                        |
| <b>TOTAL REVENUES.....</b>  | <b>78,226,398</b>   | <b>510,109</b>                           | <b>9,929</b>                   | <b>8,823,499</b>            | <b>11,734,108</b>                 | <b>99,304,043</b>              |
| <b>EXPENDITURES:</b>  |                     |  |                                |                             |                                   |                                |
| Current:  |                     |  |                                |                             |                                   |                                |
| General government.....   | 3,192,694           | -  | 6,768,088                      | -                           | 2,159,642                         | 12,120,424                     |
| Public safety.....  | 10,415,559          | -  | -                              | -                           | 783,279                           | 11,198,838                     |
| Public education.....   | 35,129,775          | 510,109                                  | -                              | 21,576,085                  | 8,239,194                         | 65,455,163                     |
| Public works.....   | 5,682,323           | -  | -                              | -                           | 9,258,749                         | 14,941,072                     |
| Human services.....   | 816,439             | -  | -                              | -                           | 204,450                           | 1,020,889                      |
| Culture and recreation.....   | 1,632,854           | -  | -                              | -                           | 668,705                           | 2,301,559                      |
| Community preservation.....   | -                   | -  | -                              | -                           | 2,972,916                         | 2,972,916                      |
| Teachers pension benefits - state funded.....                             | 7,345,883           | -  | -                              | -                           | -                                 | 7,345,883                      |
| Town pension.....   | 2,827,885           | -  | -                              | -                           | -                                 | 2,827,885                      |
| Property and liability insurance.....                                     | 401,649             | -  | -                              | -                           | -                                 | 401,649                        |
| Employee benefits.....  | 4,148,112           | -  | -                              | -                           | -                                 | 4,148,112                      |
| State and county charges.....   | 2,732,683           | -  | -                              | -                           | -                                 | 2,732,683                      |
| Debt service:   |                     |  |                                |                             |                                   |                                |
| Principal.....  | 3,117,071           | -  | -                              | -                           | 50,000                            | 3,167,071                      |
| Interest.....   | 2,117,033           | -  | 46,743                         | -                           | 34,156                            | 2,197,932                      |
| <b>TOTAL EXPENDITURES.....</b>  | <b>79,559,960</b>   | <b>510,109</b>                           | <b>6,814,831</b>               | <b>21,576,085</b>           | <b>24,371,091</b>                 | <b>132,832,076</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(1,333,562)</b>  | <b>-</b>                                 | <b>(6,804,902)</b>             | <b>(12,752,586)</b>         | <b>(12,636,983)</b>               | <b>(33,528,033)</b>            |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                     |  |                                |                             |                                   |                                |
| Issuance of long-term debt.....   | -                   | -  | 6,700,000                      | 15,695,000                  | 15,930,991                        | 38,325,991                     |
| Transfers in.....   | 112,776             | -  | 400,000                        | -                           | 563,990                           | 1,076,766                      |
| Transfers out.....  | (563,990)           | -  | (1,290)                        | -                           | (511,486)                         | (1,076,766)                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>(451,214)</b>    | <b>-</b>                                 | <b>7,098,710</b>               | <b>15,695,000</b>           | <b>15,983,495</b>                 | <b>38,325,991</b>              |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>(1,784,776)</b>  | <b>-</b>                                 | <b>293,808</b>                 | <b>2,942,414</b>            | <b>3,346,512</b>                  | <b>4,797,958</b>               |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>8,884,711</b>    | <b>-</b>                                 | <b>77,988</b>                  | <b>(2,538,625)</b>          | <b>9,318,323</b>                  | <b>15,742,397</b>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 7,099,935</b> | <b>\$ -</b>                              | <b>\$ 371,796</b>              | <b>\$ 403,789</b>           | <b>\$ 12,664,835</b>              | <b>\$ 20,540,355</b>           |

See notes to basic financial statements.



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

|   |    |           |
|---|----|-----------|
| Net change in fund balances - total governmental funds..... | \$ | 4,797,958 |
|---|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|   |                    |            |
|---|--------------------|------------|
| Capital outlay.....                         | 45,470,223         |            |
| Depreciation expense.....                   | <u>(4,156,117)</u> |            |
| Net effect of reporting capital assets..... |                    | 41,314,106 |

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (971,707)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

|   |                  |              |
|---|------------------|--------------|
| Issuance of long-term debt.....             | (38,325,991)     |              |
| Debt service principal payments.....        | <u>3,167,071</u> |              |
| Net effect of reporting long-term debt..... |                  | (35,158,920) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

|   |                 |                    |
|---|-----------------|--------------------|
| Net change in compensated absences accrual.....           | 82,055          |                    |
| Net change in other post-employment benefits accrual..... | (3,597,162)     |                    |
| Net change in accrued interest on long-term debt.....     | 195,395         |                    |
| Workers' compensation liability.....                      | 429,968         |                    |
| Amortization of bond premiums.....                        | 57,328          |                    |
| Landfill closure liability.....                           | <u>(69,215)</u> |                    |
| Net effect of recording long-term liabilities.....        |                 | <u>(2,901,631)</u> |

|  |    |                         |
|--|----|-------------------------|
| Change in net assets of governmental activities..... | \$ | <u><u>7,079,806</u></u> |
|--|----|-------------------------|

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2009

|  | Business-type Activities - Enterprise Funds |  |                      |
|--|---|--|----------------------|
|  | South Shore<br>Country Club                 | Hingham<br>Municipal<br>Lighting Plant<br>(December 31,<br>2008) | Total                |
| <b>ASSETS</b>  |   |  |                      |
| <b>CURRENT:</b>                                      |   |  |                      |
| Cash and cash equivalents.....                       | \$ 10,916                                   | \$ 6,945,677   | \$ 6,956,593         |
| Receivables, net of allowance for uncollectibles:    |   |  |                      |
| User charges.....                                    | -   | 2,551,277  | 2,551,277            |
| Departmental and other.....                          | -   | 433,040  | 433,040              |
| Inventory.....                                       | -   | 903,021  | 903,021              |
| Purchased power advance deposits.....                | -   | 902,992  | 902,992              |
| Other assets.....                                    | -   | 509,374  | 509,374              |
| Total current assets.....                            | 10,916                                      | 12,245,381   | 12,256,297           |
| <b>NONCURRENT:</b>                                   |   |  |                      |
| Investment in Hydro Quebec.....                      | -   | 41,006   | 41,006               |
| Investment in Energy New England, LLC.....           | -   | 150,000  | 150,000              |
| Capital assets, nondepreciable.....                  | 7,008,200                                   | 306,644  | 7,314,844            |
| Capital assets, net of accumulated depreciation..... | 3,245,392                                   | 25,221,470   | 28,466,862           |
| Total noncurrent assets.....                         | 10,253,592                                  | 25,719,120   | 35,972,712           |
| <b>TOTAL ASSETS.....</b>                             | <b>10,264,508</b>                           | <b>37,964,501</b>  | <b>48,229,009</b>    |
| <b>LIABILITIES</b>                                   |   |  |                      |
| <b>CURRENT:</b>                                      |   |  |                      |
| Warrants payable.....                                | 187,795                                     | 4,464,359  | 4,652,154            |
| Accrued liabilities.....                             | -   | 2,222,428  | 2,222,428            |
| Accrued interest.....                                | 17,092                                      | -  | 17,092               |
| Capital lease obligations.....                       | 184,439                                     | -  | 184,439              |
| Compensated absences.....                            | 9,205                                       | -  | 9,205                |
| Bonds and notes payable.....                         | 125,000                                     | -  | 125,000              |
| Total current liabilities.....                       | 523,531                                     | 6,686,787  | 7,210,318            |
| <b>NONCURRENT:</b>                                   |   |  |                      |
| Capital lease obligations.....                       | 357,375                                     | -  | 357,375              |
| Customer deposits.....                               | -   | 983,250  | 983,250              |
| Other post-retirement benefits.....                  | -   | 95,094   | 95,094               |
| Rate stabilization reserve.....                      | -   | 1,724,467  | 1,724,467            |
| Bonds and notes payable.....                         | 1,340,000                                   | -  | 1,340,000            |
| Total noncurrent liabilities.....                    | 1,697,375                                   | 2,802,811  | 4,500,186            |
| <b>TOTAL LIABILITIES.....</b>                        | <b>2,220,906</b>                            | <b>9,489,598</b>   | <b>11,710,504</b>    |
| <b>NET ASSETS</b>                                    |   |  |                      |
| Invested in capital assets, net of related debt..... | 8,246,778                                   | 25,528,114   | 33,774,892           |
| Unrestricted.....                                    | (203,176)                                   | 2,946,789  | 2,743,613            |
| <b>TOTAL NET ASSETS.....</b>                         | <b>\$ 8,043,602</b>                         | <b>\$ 28,474,903</b>   | <b>\$ 36,518,505</b> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

|   | Business-type Activities - Enterprise Funds |  |                      |
|---|---|--|----------------------|
|   | South Shore<br>Country Club                 | Hingham<br>Municipal<br>Lighting Plant<br>(December 31,<br>2008) | Total                |
| <b>OPERATING REVENUES:</b>                                  |   |  |                      |
| Charges for services .....                                  | \$ 1,668,284                                | \$ 27,377,400  | \$ 29,045,684        |
| Other.....  | -   | 245,593  | 245,593              |
| <b>TOTAL OPERATING REVENUES .....</b>                       | <b>1,668,284</b>                            | <b>27,622,993</b>  | <b>29,291,277</b>    |
| <b>OPERATING EXPENSES:</b>                                  |   |  |                      |
| Program expenses.....                                       | 76,215                                      | 24,367,971   | 24,444,186           |
| Administrative and general salaries and wages.....          | 506,961                                     | 256,840  | 763,801              |
| Grounds and custodial expenses.....                         | 556,616                                     | 272,446  | 829,062              |
| Facility expenses.....                                      | 113,558                                     | 165,937  | 279,495              |
| Other administrative expenses.....                          | -   | 1,227,203  | 1,227,203            |
| Depreciation.....   | 259,199                                     | 1,248,180  | 1,507,379            |
| <b>TOTAL OPERATING EXPENSES .....</b>                       | <b>1,512,549</b>                            | <b>27,538,577</b>  | <b>29,051,126</b>    |
| <b>OPERATING INCOME (LOSS).....</b>                         | <b>155,735</b>                              | <b>84,416</b>  | <b>240,151</b>       |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                    |   |  |                      |
| Investment income.....                                      | 6,066                                       | 234,511  | 240,577              |
| Interest expense.....                                       | (62,242)                                    | (4,015)  | (66,257)             |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET.....</b> | <b>(56,176)</b>                             | <b>230,496</b>   | <b>174,320</b>       |
| <b>CHANGE IN NET ASSETS.....</b>                            | <b>99,559</b>                               | <b>314,912</b>   | <b>414,471</b>       |
| <b>NET ASSETS AT BEGINNING OF YEAR.....</b>                 | <b>7,944,043</b>                            | <b>28,159,991</b>  | <b>36,104,034</b>    |
| <b>NET ASSETS AT END OF YEAR.....</b>                       | <b>\$ 8,043,602</b>                         | <b>\$ 28,474,903</b>   | <b>\$ 36,518,505</b> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2009

|  | Business-type Activities - Enterprise Funds |  |               |
|--|---|--|---------------|
|  | South Shore<br>Country Club                 | Hingham<br>Municipal<br>Lighting Plant<br>(December 31,<br>2008) | Total         |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>  |   |  |               |
| Receipts from customers and users.....   | \$ 1,675,284                                | \$ 26,648,108  | \$ 28,323,392 |
| Payments to vendors.....   | (737,012)                                   | (22,327,237)   | (23,064,249)  |
| Payments to employees.....   | (497,756)                                   | (2,472,692)  | (2,970,448)   |
| NET CASH FROM OPERATING ACTIVITIES.....  | 440,516                                     | 1,848,179  | 2,288,695     |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>                            |   |  |               |
| Acquisition and construction of capital assets.....  | (45,001)                                    | (2,265,012)  | (2,310,013)   |
| Principal payments on bonds and notes.....   | (120,000)                                   | -  | (120,000)     |
| Principal payments on capital lease obligations.....   | (177,965)                                   | -  | (177,965)     |
| Interest expense.....  | (92,700)                                    | (4,015)  | (96,715)      |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....  | (435,666)                                   | (2,269,027)  | (2,704,693)   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>  |   |  |               |
| Proceeds from disposition of investments.....  | -   | 11,471   | 11,471        |
| Investment income.....   | 6,066                                       | 234,511  | 240,577       |
| NET CASH FROM INVESTING ACTIVITIES.....  | 6,066                                       | 245,982  | 252,048       |
| NET CHANGE IN CASH AND CASH EQUIVALENTS.....   | 10,916                                      | (174,866)  | (163,950)     |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....  | -   | 7,120,543  | 7,120,543     |
| CASH AND CASH EQUIVALENTS, END OF YEAR.....  | \$ 10,916                                   | \$ 6,945,677   | \$ 6,956,593  |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>FROM OPERATING ACTIVITIES:</u></b> |   |  |               |
| Operating income (loss).....   | \$ 155,735                                  | \$ 84,416  | \$ 240,151    |
| Adjustments to reconcile operating income (loss) to net<br>cash from operating activities:         |   |  |               |
| Depreciation.....  | 259,199                                     | 1,248,180  | 1,507,379     |
| Changes in assets and liabilities:   |   |  |               |
| User charges.....  | -   | (168,288)  | (168,288)     |
| Department and other receivables.....  | 7,000                                       | (101,438)  | (94,438)      |
| Inventory.....   | -   | 395,935  | 395,935       |
| Other assets.....  | -   | 182,783  | 182,783       |
| Purchased power advance deposits.....  | -   | (90,391)   | (90,391)      |
| Warrants payable.....  | 9,377                                       | 606,921  | 616,298       |
| Accrued liabilities.....   | -   | 300,126  | 300,126       |
| Rate stabilization reserve.....  | -   | (748,144)  | (748,144)     |
| Customer Deposits.....   | -   | 42,985   | 42,985        |
| Compensated absences.....  | 9,205                                       | -  | 9,205         |
| Other post-retirement benefits.....  | -   | 95,094   | 95,094        |
| Total adjustments.....   | 284,781                                     | 1,763,763  | 2,048,544     |
| NET CASH FROM OPERATING ACTIVITIES.....  | \$ 440,516                                  | \$ 1,848,179   | \$ 2,288,695  |
| <b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>                                |   |  |               |
| Purchase of equipment on account.....  | \$ 162,500                                  | -  | -             |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

|   | Pension<br>Trust Fund<br>(as of December<br>31, 2008) | Other<br>Postemployment<br>Benefit<br>Trust Fund | Private<br>Purpose<br>Trust Funds | Agency<br>Fund |
|---|---|--|-----------------------------------|----------------|
| <b>ASSETS</b>   |   |  |                                   |                |
| Cash and cash equivalents.....  | \$ 308,792  | \$ -   | \$ 59,324                         | \$ 680,441     |
| Investments:  |   |  |                                   |                |
| U. S. government treasuries.....  | -   | 91,815   | -                                 | -              |
| Equity mutual funds.....  | -   | 180,297  | 1,928,579                         | -              |
| Debt securities.....  | -   | -  | 629,074                           | -              |
| PRIT funds.....   | 56,291,230  | -  | -                                 | -              |
| Receivables, net of allowance for uncollectibles:                       |   |  |                                   |                |
| Departmental and other receivables.....                                 | 45,555  | -  | -                                 | -              |
| <b>TOTAL ASSETS.....</b>  | <b>56,645,577</b>                                     | <b>272,112</b>                                   | <b>2,616,977</b>                  | <b>680,441</b> |
| <b>LIABILITIES</b>  |   |  |                                   |                |
| Accrued liabilities.....  | 9,275   | -  | -                                 | -              |
| Liabilities due depositors.....   | -   | -  | -                                 | 680,441        |
| <b>TOTAL LIABILITIES.....</b>   | <b>9,275</b>  | <b>-</b>   | <b>-</b>                          | <b>680,441</b> |
| <b>NET ASSETS</b>   |   |  |                                   |                |
| Held in trust for retirement, OPEB benefits,<br>and other purposes..... | \$ 56,636,302   | \$ 272,112                                       | \$ 2,616,977                      | \$ -           |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

|  | Pension<br>Trust Fund<br>(as of December<br>31, 2008) | Other<br>Postemployment<br>Benefit<br>Trust Fund | Private<br>Purpose<br>Trust Funds |
|--|---|--|-----------------------------------|
| <b>ADDITIONS:</b>                            |   |  |                                   |
| Contributions:                               |   |  |                                   |
| Employer.....                                | \$ 2,828,493  | \$ 300,000                                       | \$ -                              |
| Plan members.....                            | 1,974,427   | -  | -                                 |
| Private donations.....                       | -   | -  | 48,369                            |
| Total contributions.....                     | 4,802,920   | 300,000  | 48,369                            |
| Net investment income:                       |   |  |                                   |
| Net change in fair value of investments..... | (26,344,547)  | (35,249)   | (682,110)                         |
| Interest.....                                | 1,464,048   | -  | -                                 |
| Dividends.....                               | 994,881   | 7,361  | 134,740                           |
| Total investment income (loss).....          | (23,885,618)  | (27,888)   | (547,370)                         |
| Less: investment expense.....                | (345,591)   | -  | -                                 |
| Net investment income (loss).....            | (24,231,209)  | (27,888)   | (547,370)                         |
| Intergovernmental.....                       | 191,959   | -  | -                                 |
| Transfers from other systems.....            | 183,945   | -  | -                                 |
| TOTAL ADDITIONS (LOSSES).....                | (19,052,385)  | 272,112  | (499,001)                         |
| <b>DEDUCTIONS:</b>                           |   |  |                                   |
| Administration.....                          | 140,337   | -  | -                                 |
| Transfers to other systems.....              | 379,514   | -  | -                                 |
| Retirement benefits and refunds.....         | 5,661,076   | -  | -                                 |
| Educational scholarships.....                | -   | -  | 167,111                           |
| TOTAL DEDUCTIONS.....                        | 6,180,927   | -  | 167,111                           |
| CHANGE IN NET ASSETS.....                    | (25,233,312)  | 272,112  | (666,112)                         |
| NET ASSETS AT BEGINNING OF YEAR.....         | 81,869,614  | -  | 3,283,089                         |
| NET ASSETS AT END OF YEAR.....               | \$ 56,636,302   | \$ 272,112                                       | \$ 2,616,977                      |

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Hingham, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town was incorporated in 1635 under the statutes of the Commonwealth of Massachusetts (the "Commonwealth"). The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. Two entities have been included as component units in the reporting entity, because of the significance of its operational and/or financial relationship.

*Blended Component Units* – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Hingham Contributory Retirement System (the System) was established to provide retirement benefits to Town employees. Board members of the Retirement System consist of two elected members, who are employees or retirees within the system and who are elected by the members-in-service and retirees, an ex-officio member, who is a member by virtue of holding the office of Town Accountant, and an appointed member who is chosen by the Board of Selectmen. The remaining four members select the fifth member of the Board. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

*Discretely Presented Component Units* – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Hingham Public Library as a Discretely Presented Component Unit because of its fiscal dependency on the Town and because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete.

Accordingly, the Component Unit column of the combined financial statements includes the financial data of the following entity:

- (2) The Hingham Public Library is a private non-profit corporation that operates a library for the Town of Hingham residents. The Board of Trustees for the Hingham Public Library consists of the members of the corporation, the superintendent of schools of the Town, the treasurer of the Town, a member of the Board of Selectmen, and five residents of which three are appointed by the Board of Selectmen and two are

appointed by the Town Moderator. The library is financially accountable to the Town as a result of fiscal dependency. The Town has the authority to approve and modify the budget of the library.

### **Availability of Financial Information for Component Units and Enterprise Fund**

The Hingham Contributory Retirement System issues a publicly available statutory basis financial report that includes financial statements and required supplemental information. Copies of these financial statements may be obtained by writing to the Hingham Retirement Board, 210 Central Street, Hingham, MA 02043.

The Hingham Public Library does not issue separate financial statements. Further information about the Public Library can be obtained from the Library's administrative offices, at 66 Leavitt Street, Hingham, MA 02043.

The Hingham Municipal Lighting Plant issues a publicly available financial report that includes financial statements and supplemental information. Copies of these financial statements may be obtained by writing to the Hingham Municipal Lighting Plant, 222 Central Street, Hingham, MA 02043.

### **B. Government-Wide and Fund-Level Financial Statements**

#### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

#### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.



### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual criteria" is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *state fiscal stabilization fund* is used to account for federal grant funds received through the American Recovery and Reinvestment Act.

The *affordable housing trust fund* is a capital project fund established to purchase the land and buildings in Town known as the Lincoln School Apartments. In January 2009 the Town entered into a lease agreement with Lincoln School Apartments, LLC, a Massachusetts limited liability company that operates affordable housing for Hingham residents at the Lincoln School Apartments. The affordable housing program is subsidized by the U.S. Department of Housing and Urban Development (HUD).

The *new elementary school fund* is a capital project used to account for the construction of the East elementary school.

The nonmajor governmental funds consist of other special revenue, capital project and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to provide separate accountability for revenues that are restricted to expenditures for specified purposes (other than major capital projects). The special revenue funds are reported in the nonmajor funds column of the governmental fund financial statements.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds). The capital project funds are also reported in the nonmajor funds column of the governmental funds financial statements.

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The permanent funds are also reported in the nonmajor funds column of the governmental funds financial statements.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *South Shore Country Club* manages and operates a recreational complex which primarily includes a municipal golf course in the Town of Hingham.

The *Hingham Municipal Lighting Plant* is used to account for the operations of the municipal lighting plant's activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the Hingham Contributory Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund mainly consists of off-duty work details, performance bonds, and fees collected on behalf of other governments. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### *Government-Wide and Fund Financial Statements*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed annually after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

A statewide limitation statute known as "Proposition 2 ½" limits the annual property tax levy increases to an amount equal to 2 ½% of the value of all taxable property in the Town, plus taxes levied on property newly added to the tax rolls. Certain Proposition 2 ½ taxing limitations can be overridden by a Town wide referendum vote.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Although the Hingham Municipal Lighting Plant is exempt from property taxes, they pay amounts in lieu of taxes to the Town of Hingham.

***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***User Charges***

User charges and liens consist primarily of amounts due from residents for the providing of services by various departments including the Hingham Municipal Lighting Plant.

The allowance for uncollectibles is estimated based on historical trends and account analysis.

***Departmental and Other***

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year in which the service is performed.

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

***Special Assessments***

Special Assessments consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town-run construction projects.

Since these receivables are secured via the lien process they are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Intergovernmental***

Various Federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**F. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Materials and supplies held by the Municipal Lighting Plant are generally recorded at the lower of cost or market, using the weighted average method.

**G. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, construction in process, land improvements, buildings, plant in service, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

For the Town of Hingham capital assets are defined as all purchases and construction costs in excess of \$5,000 which are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than three years.

Capital assets (excluding land and construction-in-progress) are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives of capital assets being depreciated are as follows:

| <u>Capital Asset Type</u>    | <u>Estimated<br/>Useful<br/>Life<br/>(in years)</u> |
|------------------------------|---|
| Land improvements.....       | 10 - 30   |
| Buildings.....               | 35  |
| Plant in service.....        | 30 - 40   |
| Machinery and equipment..... | 3-20  |
| Infrastructure.....          | 50  |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts' law stipulates that the Hingham Municipal Lighting Plant may change from the statutory depreciation rate only with the approval of the DTE. The Hingham Municipal Lighting Plant has consistently used a rate of 3.0%, which approximates GAAP. The Hingham Municipal Lighting Plant charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant.

#### *Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

#### H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Advances from/to other funds" on the balance sheet.

### I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

#### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### K. Net Assets and Fund Equity

#### *Government-Wide Financial Statements (Net Assets)*

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted funds. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted funds.

"Grants and gifts" represents amounts held for school grants, and other grants and gift funds.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

*Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represent amounts held in trust for which the expenditures are restricted by various trust agreements.

Fund balances have been “designated” for the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2010 operating budget.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee’s resignation or retirement. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.



N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is maintained in those funds.

O. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2009, within the Special Revenue and Capital Project Funds. These deficits will be funded through grants and bond proceeds in future fiscal years.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Q. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – AFFORDABLE HOUSING TRUST**

The Affordable Housing Trust fund is a capital project fund established to purchase the land and buildings in Town known as the Lincoln School Apartments. In January 2009 the Town entered into a lease agreement with Lincoln Apartments, LLC, a Massachusetts limited liability company that operates affordable housing for Hingham residents at the Lincoln School Apartments. The affordable housing program is subsidized by the U.S. Department of Housing and Urban Development (HUD). Under the terms of the 30 year lease agreement, Lincoln Apartments, LLC will pay the Town an annual base rent equal to the debt service on the bonds used by the Town to finance the Premises plus “Cash Flow Rent” and “Additional Rent” as defined in the Agreement.

Lincoln Apartments, LLC is operating in its initial year beginning January 1, 2009 with a year end date of December 31, 2009. The Town believes that the LLC meets the GASB criteria as a component unit of the Town and plans to report it as such in its financial statements for the fiscal year ended June 30, 2010, after the LLC has completed its first year of operation.

During fiscal year 2009, the Town issued short term debt (classified as long-term in the financial statements) in the amount of \$6.7 million and received a \$400,000 transfer in from the Community Preservation fund to acquire the property at a cost of approximately \$6.8 million.

### **NOTE 3 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Town Treasurer is responsible for adhering to these statutes, and at June 30, 2009 the Town is in compliance with these requirements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Retirement System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

Town policy provides that up to 100% of available cash may be invested in the State Treasurer's pooled fund. Investment in a single institution may not exceed 10% of the institution's capital and surplus position as of the most recent quarterly data available to the Town Treasurer. Investment in a single institution (other than MMDT) may not exceed 25% of the total cash balance at any time. The Town treasurer shall subscribe to information reports from a recognized bank rating company. Direct investment in an institution shall be restricted to those ranked in the upper half of rating categories utilized by the Town unless the Town Treasurer obtains additional adequate security for the investment or otherwise determines and documents in writing that the rating provided does not properly reflect the strength of the institution. Maintenance of disbursement or other types of accounts at an institution below a mid-range rating shall be limited, to the maximum extent possible, to a balance below \$100,000. When the rating falls to a "warning stage" or when more than one-half of the institution's capital and surplus has been lost in a 12-month period, any accounts shall be closed forthwith.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 9.42 years.

#### **Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

At fiscal year-end the carrying amount (book value) of the Town's deposits totaled \$20,394,336 and the bank balances totaled \$21,914,151. Of the bank balance, \$1,750,000 was covered by Federal Depository Insurance, \$6,248,381 was insured under the FDIC Transaction Account Guarantee Program, and \$13,915,770 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2008 the carrying amount (book value) and the bank balance of the Retirement System's deposits totaled \$308,792. The bank balance was fully covered by Federal Depository Insurance.

As of June 30, 2009 the Town had the following investments:

| <u>Investment Type</u>                 | <u>Fair Value</u> | <u>Investment Maturities</u> |                      |
|--|-------------------|------------------------------|----------------------|
|  |                   | <u>6-10 Years</u>            | <u>Over 10 Years</u> |
| <u>Debt Securities</u>                 |                   |                              |                      |
| U.S. Government Treasuries.....        | \$ 91,815         | \$ -                         | \$ 91,815            |
| Corporate Bonds.....                   | <u>629,074</u>    | <u>629,074</u>               | <u>-</u>             |
| Total Debt Securities.....             | 720,889           | <u>\$ 629,074</u>            | <u>\$ 91,815</u>     |
| <u>Other Investments</u>               |                   |                              |                      |
| International Equity Mutual Funds..... | 340,378           |                              |                      |
| Equity Mutual Funds.....               | 1,768,498         |                              |                      |
| Money Market Mutual Funds.....         | 32,213            |                              |                      |
| MMDT.....                              | <u>18,764,879</u> |                              |                      |
| Total Investments.....                 | \$ 21,626,857     |                              |                      |

As of December 31, 2008 the Retirement System had investments in PRIT totaling \$56,291,230.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The Town investments of \$629,074 in corporate bonds are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

At December 31, 2008, the System's \$56,291,230 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

#### Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. At June 30, 2009 the Town's \$629,074 investment in corporate bonds were proportionally rated between Baa3 and Aaa. The credit ratings for the money market mutual funds and for MMDT are not available.

Concentration of Credit Risk

The Town and the System do not have any investments in any one issuer that represents 5% or more of its total investments requiring disclosure in these financial statements.

**NOTE 4 – RECEIVABLES**

At June 30, 2009, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|  | Gross<br>Amount      | Allowance<br>for<br>Uncollectibles | Net<br>Amount        |
|--|----------------------|------------------------------------|----------------------|
| <u>Receivables:</u>                          |                      |                                    |                      |
| Real estate and personal property taxes..... | \$ 1,218,692         | \$ (5,931)                         | \$ 1,212,761         |
| Tax liens.....                               | 764,632              | -                                  | 764,632              |
| Motor vehicle and other excise taxes.....    | 274,322              | (88,906)                           | 185,416              |
| User fees.....                               | 444,409              | -                                  | 444,409              |
| Departmental and other.....                  | 281,322              | (45,600)                           | 235,722              |
| Special assessments.....                     | 2,069,128            | -                                  | 2,069,128            |
| Intergovernmental.....                       | 20,695,693           | -                                  | 20,695,693           |
| Total.....                                   | <u>\$ 25,748,198</u> | <u>\$ (140,437)</u>                | <u>\$ 25,607,761</u> |

At December 31, 2008, receivables for the electric lighting enterprise fund consist of the following:

|                             | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|-----------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u>         |                     |                                    |                     |
| User fees.....              | \$ 2,599,743        | \$ (48,466)                        | \$ 2,551,277        |
| Departmental and other..... | 433,040             | -                                  | 433,040             |
| Total.....                  | <u>\$ 3,032,783</u> | <u>\$ (48,466)</u>                 | <u>\$ 2,984,317</u> |

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

|  | General<br>Fund      | Nonmajor<br>Governmental<br>Funds | Total                |
|--|----------------------|-----------------------------------|----------------------|
| <u>Receivables and other asset types:</u>    |                      |                                   |                      |
| Real estate and personal property taxes..... | \$ 1,081,120         | \$ -                              | \$ 1,081,120         |
| Tax liens.....                               | 764,632              | -                                 | 764,632              |
| Motor vehicle and other excise taxes.....    | 185,416              | -                                 | 185,416              |
| User charges.....                            | -                    | 444,409                           | 444,409              |
| Departmental and other.....                  | 235,722              | -                                 | 235,722              |
| Special assessments.....                     | 2,069,128            | -                                 | 2,069,128            |
| Intergovernmental.....                       | 19,367,861           | 921,926                           | 20,289,787           |
| Tax foreclosures.....                        | 155,240              | -                                 | 155,240              |
| Total.....                                   | \$ <u>23,859,119</u> | \$ <u>1,366,335</u>               | \$ <u>25,225,454</u> |

Included in the deferred revenues above are \$91,000 and \$235,000 of advance collections for FY2010 real estate taxes and summer recreation fees, respectively.

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital asset activity for the fiscal year ended June 30, 2009, is as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <b>Governmental Activities:</b>                        |                              |                  |                  |                           |
| <u>Capital assets not being depreciated:</u>           |                              |                  |                  |                           |
| Land.....  | \$ 2,154,100                 | \$ 3,837,500     | \$ -             | \$ 5,991,600              |
| Construction in progress.....                          | 14,140,020                   | 34,871,769       | -                | 49,011,789                |
| Total capital assets not being depreciated....         | 16,294,120                   | 38,709,269       | -                | 55,003,389                |
| <u>Capital assets being depreciated:</u>               |                              |                  |                  |                           |
| Land improvements.....                                 | 444,475                      | 92,142           | -                | 536,617                   |
| Buildings.....   | 96,499,523                   | 5,600,432        | -                | 102,099,955               |
| Machinery and equipment.....                           | 11,019,204                   | 758,429          | (328,467)        | 11,449,166                |
| Infrastructure.....                                    | 48,069,278                   | 309,951          | -                | 48,379,229                |
| Total capital assets being depreciated.....            | 156,032,480                  | 6,760,954        | (328,467)        | 162,464,967               |
| <u>Less accumulated depreciation for:</u>              |                              |                  |                  |                           |
| Land improvements.....                                 | (86,345)                     | (16,742)         | -                | (103,087)                 |
| Buildings.....   | (54,802,994)                 | (2,263,581)      | -                | (57,066,575)              |
| Machinery and equipment.....                           | (7,865,838)                  | (868,906)        | 328,467          | (8,406,277)               |
| Infrastructure.....                                    | (23,067,506)                 | (1,006,888)      | -                | (24,074,394)              |
| Total accumulated depreciation.....                    | (85,822,683)                 | (4,156,117)      | 328,467          | (89,650,333)              |
| Total capital assets being depreciated, net.....       | 70,209,797                   | 2,604,837        | -                | 72,814,634                |
| Total governmental activities capital assets, net..... | \$ 86,503,917                | \$ 41,314,106    | \$ -             | \$ 127,818,023            |

|   | Beginning<br>Balance | Increases    | Decreases    | Ending<br>Balance |
|---|----------------------|--------------|--------------|-------------------|
| <b>Business-Type Activities:</b>                        |                      |              |              |                   |
| <u>Capital assets not being depreciated:</u>            |                      |              |              |                   |
| Land.....   | \$ 7,026,056         | \$ -         | \$ -         | \$ 7,026,056      |
| Construction in progress.....                           | 371,893              | 129,542      | (212,647)    | 288,788           |
| Total capital assets not being depreciated....          | 7,397,949            | 129,542      | (212,647)    | 7,314,844         |
| <u>Capital assets being depreciated:</u>                |                      |              |              |                   |
| Land improvements.....                                  | 1,779,209            | 207,501      | -            | 1,986,710         |
| Plant in service.....                                   | 41,605,824           | 2,348,117    | (62,758)     | 43,891,183        |
| Building improvements.....                              | 2,363,155            | -            | -            | 2,363,155         |
| Machinery and equipment.....                            | 903,280              | -            | -            | 903,280           |
| Total capital assets being depreciated.....             | 46,651,468           | 2,555,618    | (62,758)     | 49,144,328        |
| <u>Less accumulated depreciation for:</u>               |                      |              |              |                   |
| Land improvements.....                                  | (101,260)            | (63,258)     | -            | (164,518)         |
| Plant in service.....                                   | (17,484,291)         | (1,248,180)  | 62,758       | (18,669,713)      |
| Building improvements.....                              | (1,526,863)          | (94,652)     | -            | (1,621,515)       |
| Machinery and equipment.....                            | (120,431)            | (101,289)    | -            | (221,720)         |
| Total accumulated depreciation.....                     | (19,232,845)         | (1,507,379)  | 62,758       | (20,677,466)      |
| Total capital assets being depreciated, net.....        | 27,418,623           | 1,048,239    | -            | 28,466,862        |
| Total business-type activities capital assets, net..... | \$ 34,816,572        | \$ 1,177,781 | \$ (212,647) | \$ 35,781,706     |

Depreciation expense was charged to functions/programs of the Town as follows:

**Governmental Activities:**

|                             |            |
|-----------------------------|------------|
| General government.....     | \$ 440,639 |
| Public safety.....          | 437,916    |
| Education.....              | 1,555,382  |
| Public works.....           | 1,417,101  |
| Human services.....         | 1,298      |
| Culture and recreation..... | 303,781    |

Total depreciation expense - governmental activities..... \$ 4,156,117

**Business-Type Activities:**

|                     |            |
|---------------------|------------|
| Country Club.....   | \$ 259,199 |
| Electric light..... | 1,248,180  |

Total depreciation expense - business-type activities..... \$ 1,507,379

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Inter-fund receivables and payables within the nonmajor governmental funds at June 30, 2009, as summarized as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>     |
|------------------------|---------------------|-------------------|
| Town Gifts Fund        | Town Grants Fund    | \$ 218,051 (1)    |
| Town Gifts Fund        | Sewer Fund          | <u>8,383 (1)</u>  |
|                        |                     | <u>\$ 226,434</u> |

(1) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

| <u>Transfers Out:</u>              | <u>Transfers In:</u> |                                      |                                    | <u>Total</u>        |
|------------------------------------|----------------------|--------------------------------------|------------------------------------|---------------------|
|                                    | <u>General Fund</u>  | <u>Affordable Housing Trust Fund</u> | <u>Nonmajor Governmental Funds</u> |                     |
| General Fund.....                  | \$ -                 | \$ -                                 | \$ 563,990                         | \$ 563,990 (1)      |
| Affordable Housing Trust Fund..... | 1,290                | -                                    | -                                  | 1,290 (2)           |
| Nonmajor Governmental Funds.....   | <u>111,486</u>       | <u>400,000</u>                       | <u>-</u>                           | <u>511,486 (3)</u>  |
| Total.....                         | <u>\$ 112,776</u>    | <u>\$ 400,000</u>                    | <u>\$ 563,990</u>                  | <u>\$ 1,076,766</u> |

(1) Represents budgeted transfers from the general fund to various nonmajor capital projects funds.

(2) Represents a budgeted transfer from the Affordable Housing Trust Fund to reimburse legal fees.

(3) Represents budgeted transfers from the stabilization fund to the general fund and from the Community Preservation Fund to the Affordable Housing Trust Fund to acquire a building.

**NOTE 7 – LEASES**Capital Leases

The Town has entered into lease agreements to finance the acquisition of equipment and golf carts for the South Shore Country Club, an enterprise fund of the Town. The original 3 and 5 year lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.



The following identifies the assets acquired through capital lease agreements:

| <u>Asset:</u>                       | <u>Business-Type<br/>Activities</u> |
|-------------------------------------|-------------------------------------|
| Machinery and equipment.....        | \$ 861,570                          |
| Less: accumulated depreciation..... | <u>(210,563)</u>                    |
| Total.....                          | <u>\$ 651,007</u>                   |

Future minimum lease payments under capitalized leases consist of the following at June 30, 2009:

| <u>Fiscal Years<br/>Ending June 30,</u>      | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| 2010.....                                    | \$ 205,920                         |
| 2011.....                                    | 205,920                            |
| 2012.....                                    | <u>172,179</u>                     |
| Total minimum lease payments.....            | 584,019                            |
| Less: amounts representing interest.....     | <u>(42,205)</u>                    |
| Present value of minimum lease payments..... | <u>\$ 541,814</u>                  |

#### Operating Leases

The Town leases school buses under noncancelable operating leases that expire in fiscal year 2012. The cost of the leases for the fiscal year ended June 30, 2009, totaled approximately \$365,000, and is reported as an educational expenditure of the general fund.

The future minimum lease payments are as follows at June 30, 2009:

| <u>Fiscal Years Ending June 30,</u> | <u>Governmental<br/>Activities</u> |
|-------------------------------------|------------------------------------|
| 2010.....                           | \$ 371,857                         |
| 2011.....                           | 383,019                            |
| 2012.....                           | <u>394,507</u>                     |
| Total.....                          | <u>\$ 1,149,383</u>                |

**NOTE 8 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

| Type       | Purpose                            | Rate (%) | Due Date | Balance at June 30, 2008 | Renewed/ Issued     | Retired/ Redeemed   | Balance at June 30, 2009 |
|------------|------------------------------------|----------|----------|--------------------------|---------------------|---------------------|--------------------------|
| BAN        | School Engineering and Design..... | 4.00     | 06/18/09 | \$ 1,700,000             | \$ -                | \$ 1,700,000        | \$ -                     |
| BAN        | School Construction.....           | 4.00     | 06/18/09 | 1,400,000                | -                   | 1,400,000           | -                        |
| BAN        | DPW Facility.....                  | 4.00     | 06/18/09 | 2,000,000                | -                   | 2,000,000           | -                        |
| GAN        | Public Works PWED Grant.....       | 4.00     | 06/18/09 | 1,000,000                | -                   | 1,000,000           | -                        |
| BAN        | School Construction.....           | 2.50     | 11/25/09 | -                        | 1,705,000           | -                   | 1,705,000                |
| BAN        | School Modulers.....               | 2.50     | 11/25/09 | -                        | 66,000              | -                   | 66,000                   |
| BAN        | School Construction.....           | 1.25     | 12/23/09 | -                        | 1,640,476           | -                   | 1,640,476                |
| Total..... |                                    |          |          | <u>\$ 6,100,000</u>      | <u>\$ 3,411,476</u> | <u>\$ 6,100,000</u> | <u>\$ 3,411,476</u>      |

At fiscal year end, the Town had outstanding BANS totaling \$41,737,467. At maturity, \$21,166,467 of the BANS maturing on November 25, 2009 and \$17,159,524 maturing on December 23, 2009 were permanently funded. The remaining balances of \$1,771,000 and \$1,640,476, respectively, are scheduled to be paid down on their respective due dates. This transaction meets the criteria for the BAN to be treated as long-term debt.

**NOTE 9 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town's outstanding general obligation indebtedness at June 30, 2009, and the debt service requirements are as follows:

### Governmental Activities

| Project  | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2008 | Issued        | Redeemed     | Outstanding<br>at June 30,<br>2009 |
|--|-------------------------|------------------------------------|---------------|--------------|------------------------------------|
| Civic Center Bonds.....                        | 3.95 - 6.0              | \$ 2,080,000                       | \$ -          | \$ 220,000   | \$ 1,860,000                       |
| Middle School Bonds.....                       | 3.4 - 5.5               | 2,200,000                          | -             | 200,000      | 2,000,000                          |
| 2002 Multi Purpose Bonds.....                  | 3.5 - 5.375             | 28,360,000                         | -             | 2,285,000    | 26,075,000                         |
| 2007 Multi Purpose Bonds.....                  | 4.0                     | 4,929,750                          | -             | 244,750      | 4,685,000                          |
| MWPAT - 93 Bonds.....                          | 0.0                     | 70,962                             | -             | 11,355       | 59,607                             |
| MWPAT - 98 Bonds.....                          | 4.5                     | 2,027,000                          | -             | 167,900      | 1,859,100                          |
| MWPAT - 2001 Bonds.....                        | 0.0                     | 59,786                             | -             | 5,436        | 54,350                             |
| MWPAT - 2006 Bonds.....                        | 2.0                     | 384,224                            | -             | 16,790       | 367,434                            |
| MWRA Loan.....                                 | 0.0                     | 47,520                             | -             | 15,840       | 31,680                             |
| DPW Facility.....                              | 3.0 - 5.0               | -                                  | 6,787,467     | -            | 6,787,467                          |
| School Engineering and Design.....             | 3.0 - 5.0               | -                                  | 59,524        | -            | 59,524                             |
| School Projects - Fosters/PRS.....             | 3.0 - 5.0               | -                                  | 7,000,000     | -            | 7,000,000                          |
| School Projects - Middle School Modulares..... | 3.0 - 5.0               | -                                  | 634,000       | -            | 634,000                            |
| School Projects - East School.....             | 3.0 - 5.0               | -                                  | 15,695,000    | -            | 15,695,000                         |
| Land Acquisition - Hershey Street.....         | 3.0 - 5.0               | -                                  | 1,450,000     | -            | 1,450,000                          |
| Lincoln School Apartment Acquisition.....      | 3.0 - 5.0               | -                                  | 6,700,000     | -            | 6,700,000                          |
| Total.....                                     |                         | 40,159,242                         | 38,325,991    | 3,167,071    | 75,318,162                         |
| Unamortized Premium on Bonds.....              |                         | 581,939                            | -             | 57,328       | 524,611                            |
| Total Long Term Debt.....                      |                         | \$ 40,741,181                      | \$ 38,325,991 | \$ 3,224,399 | \$ 75,842,773                      |

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u>      | <u>Total</u>          |
|--------------------|-------------------|----------------------|-----------------------|
| 2010.....\$        | 5,358,592         | \$ 2,433,734         | \$ 7,792,326          |
| 2011.....          | 5,308,829         | 2,982,925            | 8,291,754             |
| 2012.....          | 5,284,462         | 2,791,257            | 8,075,719             |
| 2013.....          | 5,030,183         | 2,695,447            | 7,725,630             |
| 2014.....          | 4,961,370         | 2,390,218            | 7,351,588             |
| 2015.....          | 4,950,065         | 2,153,467            | 7,103,532             |
| 2016.....          | 4,961,447         | 1,941,322            | 6,902,769             |
| 2017.....          | 4,972,937         | 1,726,962            | 6,699,899             |
| 2018.....          | 4,979,436         | 1,510,709            | 6,490,145             |
| 2019.....          | 4,786,142         | 1,271,122            | 6,057,264             |
| 2020.....          | 4,360,922         | 1,065,667            | 5,426,589             |
| 2021.....          | 4,361,345         | 848,244              | 5,209,589             |
| 2022.....          | 2,391,776         | 633,363              | 3,025,139             |
| 2023.....          | 2,252,216         | 536,391              | 2,788,607             |
| 2024.....          | 2,257,664         | 446,642              | 2,704,306             |
| 2025.....          | 2,263,122         | 356,685              | 2,619,807             |
| 2026.....          | 2,263,589         | 266,618              | 2,530,207             |
| 2027.....          | 2,269,065         | 176,441              | 2,445,506             |
| 2028.....          | 1,955,000         | 92,200               | 2,047,200             |
| 2029.....          | 350,000           | 14,000               | 364,000               |
| Total.....\$       | <u>75,318,162</u> | <u>\$ 26,333,414</u> | <u>\$ 101,651,576</u> |

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$476,000 and interest costs for \$380,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$2,109,000. The principal subsidies are guaranteed and therefore a \$476,000 intergovernmental receivable and corresponding revenue have been reported in the Sewer fund. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2009 principal and interest subsidies totaled \$48,000 and \$63,000, respectively.

The Town is receiving school construction assistance through the Massachusetts School Building Authority (MSBA) on bonded projects completed in prior fiscal years. The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. During fiscal year 2009, approximately \$1,995,000 million of such assistance was received. Approximately \$23.3 million is expected to be received in future fiscal years. Of this amount, \$4.4 million represents reimbursement of long-term interest costs, and \$18.9 million represents reimbursement of approved construction costs. Accordingly, an \$18.9 million intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue for the entire grant has been recognized as revenue in the conversion to the government-wide financial statements in prior fiscal years.

The Town will also receive construction assistance on the new renovations to the East Elementary school. The grant is for 40% of approved construction costs not to exceed \$10,370,000. The Town is receiving reimbursement on this project as costs are incurred and approved by the MSBA and the Town will issue long-term

debt for the balance due at the completion of the project. During fiscal year 2009, the Town received approximately \$8.8 million from the MSBA for this project.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. At June 30, 2009, the outstanding principal amount of these loans totaled \$31,680.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had the following authorized and un-issued debt:

| Purpose  | Amount               |
|--|----------------------|
| School Buildings.....                            | \$ 1,073             |
| Sewer Construction.....                          | 40,000               |
| Sewer MWRA I & I Removal.....                    | 426,050              |
| Sewer Route 3a.....                              | 800,000              |
| Sewer Weir River 2.....                          | 619,800              |
| Sewer Green Street Court.....                    | 75,000               |
| School Buildings.....                            | 255,000              |
| School Buildings/New Elementary School.....      | 7,760,000            |
| Lincoln School Apartments Acquisition.....       | 300,000              |
| Sewer Construction / Lower Central.....          | 125,000              |
| Sewer Contstruction / Thaxter to Kents Lane..... | 150,000              |
| Total.....                                       | \$ <u>10,551,923</u> |

#### Business-Type Activities

| Project                | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2008 | Issued      | Redeemed          | Outstanding<br>at June 30,<br>2009 |
|------------------------|-------------------------|------------------------------------|-------------|-------------------|------------------------------------|
| SSCC - Irrigation..... | 4.0                     | \$ <u>1,585,000</u>                | \$ <u>-</u> | \$ <u>120,000</u> | \$ <u>1,465,000</u>                |

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

| Fiscal Year  | Principal        | Interest          | Total               |
|--------------|------------------|-------------------|---------------------|
| 2010.....\$  | 125,000          | \$ 56,100         | \$ 181,100          |
| 2011.....    | 125,000          | 51,100            | 176,100             |
| 2012.....    | 130,000          | 46,000            | 176,000             |
| 2013.....    | 135,000          | 40,700            | 175,700             |
| 2014.....    | 145,000          | 35,100            | 180,100             |
| 2015.....    | 150,000          | 29,200            | 179,200             |
| 2016.....    | 155,000          | 23,100            | 178,100             |
| 2017.....    | 160,000          | 16,800            | 176,800             |
| 2018.....    | 165,000          | 10,300            | 175,300             |
| 2019.....    | 175,000          | 3,500             | 178,500             |
| Total.....\$ | <u>1,465,000</u> | <u>\$ 311,900</u> | <u>\$ 1,776,900</u> |

### Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

|  | Balance<br>June 30,<br>2008 | Bonds and<br>Notes<br>Issued | Bonds and<br>Notes<br>Redeemed | Other<br>Increases  | Other<br>Decreases    | Balance<br>June 30,<br>2009 | Due<br>within<br>One Year |
|--|-----------------------------|------------------------------|--------------------------------|---------------------|-----------------------|-----------------------------|---------------------------|
| <b>Governmental Activities:</b>                            |                             |                              |                                |                     |                       |                             |                           |
| Bonds and notes payable.....                               | \$ 40,159,242               | \$ 38,325,991                | \$ (3,167,071)                 | \$ -                | \$ -                  | \$ 75,318,162               | \$ 5,358,592              |
| Unamortized bond premium.....                              | 581,939                     | -                            | -                              | -                   | (57,328)              | 524,611                     | 54,514                    |
| Workers' compensation.....                                 | 663,673                     | -                            | -                              | 17,589              | (447,557)             | 233,705                     | 119,120                   |
| Compensated absences.....                                  | 1,223,355                   | -                            | -                              | 754,740             | (836,795)             | 1,141,300                   | 859,300                   |
| Landfill closure.....                                      | 1,347,785                   | -                            | -                              | 80,554              | (11,339)              | 1,417,000                   | 200,000                   |
| Other post-employment benefits.....                        | -                           | -                            | -                              | 7,381,254           | (3,784,092)           | 3,597,162                   | -                         |
| Total governmental activity<br>long-term liabilities.....  | <u>\$ 43,975,994</u>        | <u>\$ 38,325,991</u>         | <u>\$ (3,167,071)</u>          | <u>\$ 8,234,137</u> | <u>\$ (5,137,111)</u> | <u>\$ 82,231,940</u>        | <u>\$ 6,591,526</u>       |
| <b>Business-Type Activities:</b>                           |                             |                              |                                |                     |                       |                             |                           |
| Bonds and notes payable.....                               | \$ 1,585,000                | \$ -                         | \$ (120,000)                   | \$ -                | \$ -                  | \$ 1,465,000                | \$ 125,000                |
| Compensated absences.....                                  | -                           | -                            | -                              | 9,205               | -                     | 9,205                       | 9,205                     |
| Capital lease obligations.....                             | 719,779                     | -                            | -                              | -                   | (177,965)             | 541,814                     | 184,439                   |
| Rate stabilization reserve.....                            | 2,472,611                   | -                            | -                              | -                   | (748,144)             | 1,724,467                   | -                         |
| Customer deposits.....                                     | 940,265                     | -                            | -                              | -                   | 42,985                | 983,250                     | -                         |
| Other post-employment benefits.....                        | -                           | -                            | -                              | 169,588             | (74,494)              | 95,094                      | -                         |
| Total business-type activity<br>long-term liabilities..... | <u>\$ 5,717,655</u>         | <u>\$ -</u>                  | <u>\$ (120,000)</u>            | <u>\$ 178,793</u>   | <u>\$ (957,618)</u>   | <u>\$ 4,818,830</u>         | <u>\$ 318,644</u>         |

Governmental activities long-term liabilities are generally liquidated by the general fund. Business-type activities long-term liabilities are normally paid from the funds reporting the liability, namely the South Shore Country Club or the Hingham Municipal Lighting Plant.

**NOTE 10 – LANDFILL CLOSURE AND POST CLOSURE CARE**

State and federal laws and regulations require the Town to construct a final capping system on the Hingham Municipal Landfill site as it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town completed the closure of various portions of the landfill in 1996 and is currently implementing a closure and post closure care plan for the remainder of the site. The Town expects the closure of the remaining site to occur during calendar year 2010. To date, the Town has expended approximately \$2,423,000 and has reflected \$1,417,000 as the estimate of the remaining liability at June 30, 2009. This amount is based upon estimates of what it would cost the Town to perform all closure and post closure care as of June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**NOTE 11– RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in premium-based health care plans for its active employees and retirees. The Town is self-insured for workers' compensation and unemployment benefits, and also self insures property coverage over a group of vacant buildings given to them by the federal government. The Town maintains liability coverage on these respective buildings. The Town records an estimated liability for workers' compensation claims based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. At June 30, 2009, the estimated liability for workers' compensation claims totaled approximately \$234,000.

Changes in the Workers' Compensation claims liability amount for the fiscal years ended June 30 were as follows:

|                       | Balance at<br>Beginning of<br>Fiscal Year | Current Year<br>Claims and<br>Changes in<br>Estimate | Claims<br>Payments | Balance at<br>Fiscal<br>Year-End |
|-----------------------|---|--|--------------------|----------------------------------|
| Fiscal Year 2008..... | \$ 596,743                                | \$ 398,164   | \$ (331,234)       | \$ 663,673                       |
| Fiscal Year 2009..... | 663,673                                   | 17,589   | (447,557)          | 233,705                          |

Any liability for unemployment claims at June 30, 2009 is considered to be immaterial for these financial statements.

**NOTE 12 – CONTRIBUTORY RETIREMENT SYSTEM**

*Plan Description* - The Town contributes to the System, a single-employer defined benefit pension plan administered by the Hingham Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7.3 million for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Hingham Contributory Retirement Board and are borne by the System. The System issues a publicly available audited financial report that may be obtained by contacting the System at 210 Central Street, Hingham, Massachusetts 02043.

At December 31, 2008, the System's membership consists of the following:

|  |                   |
|--|-------------------|
| Active members.....  | 559               |
| Inactive members.....  | 91                |
| Retirees and beneficiaries currently receiving benefits..... | <u>262</u>        |
| Total.....   | <u><u>912</u></u> |

**Funding Policy** - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers did not require the Town to make an annual contribution to the System. Chapter 32 of the MGL governs the contributions of plan members and the Town.

**Annual Pension Cost** - The Town's contributions to the System for the last three fiscal years ended June 30, 2009, 2008, and 2007 were \$2,817,150, \$2,835,897, and \$3,024,454, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets was determined using the fair value of the assets.

#### Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 1/1/08                         | \$ 75,680,784                          | \$ 94,518,253   | \$ 18,837,469                      | 80.1%                    | \$ 19,856,230             | 94.9%   |
| 1/1/07                         | 64,778,166                             | 88,204,142  | 23,425,976                         | 73.4%                    | 19,177,310                | 122.2%  |
| 1/1/06                         | 58,096,713                             | 85,429,148  | 27,332,435                         | 68.0%                    | 18,005,014                | 151.8%  |
| 1/1/04                         | 53,284,103                             | 75,260,838  | 21,976,735                         | 70.8%                    | 16,669,815                | 131.8%  |
| 1/1/03                         | 38,571,346                             | 74,835,302  | 36,263,956                         | 51.5%                    | 15,626,514                | 232.1%  |
| 1/1/02                         | 44,876,765                             | 71,631,723  | 26,754,958                         | 62.6%                    | 14,811,862                | 180.6%  |
| 1/1/00                         | 48,884,485                             | 57,861,551  | 8,977,066                          | 84.5%                    | 12,214,509                | 73.5%   |



**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2009 and calendar year 2008 are the initial years that the Town and the Hingham Municipal Lighting Plant (HMLP) have implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the Town and the HMLP have established the net Other Post Employment Benefit (OPEB) obligation at zero at the beginning of the transition years and have applied the measurement and recognition requirements of GASB 45 on a prospective basis.

The Town implemented the provisions of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during fiscal year 2008 and established its “Other Postemployment Benefit Trust Fund”. The Town voted to begin pre-funding its OPEB liabilities through the use of this irrevocable trust.

*Plan Description* – The Town maintains a single employer defined benefit healthcare plan (“The Other Post Employment Benefit Plan”), which the HMLP participates in. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The plan provides the benefits by participating in the Plymouth County HealthCare System. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan, as well as an out-of-area indemnity plan administered by North American Administrators. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The plan also pays approximately 50% of the retiree life insurance premiums.

The Town adopted MGL, Chapter 32B, Section 18 in April 2006, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the actuarial determination of OPEB liabilities by the Town’s actuary.

At the respective fiscal year ends, the Plan’s memberships consisted of the following:

|  | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Current retirees, beneficiaries, and dependants..... | 677                        | 17                          |
| Current active members.....                          | 861                        | 29                          |
| Total.....   | 1,538                      | 46                          |

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 10% and 50% of the cost of benefits provided depending on the plan they choose. For the year ended June 30, 2009 and calendar year ended December 31, 2008, plan members contributed approximately \$1.4 million and \$71,000, respectively, through their required contributions. The Town and the HMLP are required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town contributed \$3,484,092 during fiscal year 2009, and the HMLP contributed \$74,494 during calendar year 2008, towards these benefits in addition to the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2009, the Town pre-funded future OPEB liabilities in the amount of \$300,000. The HMLP pre-funded \$1,461,000 in March of 2009.

*Annual OPEB Cost and Net OPEB Obligation* – The annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's and the HMLP's annual OPEB costs for the periods, the amount actually contributed to the plan, and changes in the net OPEB obligations are summarized in the following table:

|   |    | Governmental<br>Activities | Business-Type<br>Activities |     |
|---|----|----------------------------|-----------------------------|-----|
| Normal Cost.....  | \$ | 4,079,009                  | \$ 64,767                   | (1) |
| Amortization of unfunded actuarial accrued liability..... |    | <u>3,302,245</u>           | <u>104,821</u>              |     |
| Annual OPEB cost/expense.....                             |    | 7,381,254                  | 169,588                     |     |
| Contributions made.....                                   |    | <u>(3,784,092)</u>         | <u>(74,494)</u>             |     |
| Increase/(Decrease) in net OPEB obligation.....           |    | 3,597,162                  | 95,094                      |     |
| Net OPEB obligation - beginning of year.....              |    | <u>-</u>                   | <u>-</u>                    |     |
| Net OPEB obligation - end of year.....                    | \$ | <u><u>3,597,162</u></u>    | <u><u>95,094</u></u>        |     |

(1) The Business-Type Activities consist of the Hingham Municipal Lighting Plant as of December 31, 2008.

The annual OPEB costs, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligations for the periods are as follows:

#### Governmental Activities

| Fiscal Year<br>Ended | Annual OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| 6/30/2009            | \$ 7,381,254        | 51.3%  | \$ 3,597,162           |

#### Business-Type Activities

|            |            |       |           |
|------------|------------|-------|-----------|
| 12/31/2008 | \$ 169,588 | 43.9% | \$ 95,094 |
|------------|------------|-------|-----------|

*Funded Status and Funding Progress* – The funded status of the Plan as of the most recent actuarial valuation dates is as follows:

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date  | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|---------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| <u>Governmental Activities</u>  |  |  |                                    |                          |                           |   |
| 1/1/2009                        | \$ 246,535                             | \$ 114,530,349                                 | \$ 114,283,814                     | 0.22%                    | \$ 40,145,677             | 284.67%   |
| <u>Business-Type Activities</u> |  |  |                                    |                          |                           |   |
| 7/1/2006                        | \$ -                                   | \$ 1,953,952                                   | \$ 1,953,952                       | 0.00%                    | \$ 2,567,786              | 76.09%  |

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided for the latest actuarial valuations:

Governmental Activities

|                                    |  |
|------------------------------------|--|
| Valuation date.....                | January 1, 2009  |
| Actuarial cost method.....         | Projected Unit Credit  |
| Amortization method.....           | Payments increasing at 4.5%, level % of payroll                              |
| Remaining amortization period..... | 29 years as of July 1, 2009, closed  |
| Asset valuation method.....        | Market value   |
| Actuarial assumptions:             |  |
| Investment rate of return.....     | 3.5% pay-as-you-go scenario  |
| Inflation rate.....                | 4.0%   |
| Projected salary increases.....    | 4.0%   |
| Medical/Drug cost trend rate.....  | 8.5% decreasing by 0.5% for 7 years<br>to an ultimate level of 5.0% per year |

Business-Type Activities

|                                    |   |
|------------------------------------|---|
| Valuation date.....                | July 1, 2006                                    |
| Actuarial cost method.....         | Projected Unit Credit                           |
| Amortization method.....           | Payments increasing at 4.5%, level % of payroll |
| Remaining amortization period..... | 29 years as of January 1, 2009, closed          |
| Asset valuation method.....        | Market value                                    |
| Actuarial assumptions:             |   |
| Investment rate of return.....     | 8.0% pre-funded scenario                        |
| Inflation rate.....                | 4.0%  |
| Projected salary increases.....    | 4.0%  |
| Medical/Drug cost trend rate.....  | 9.5% decreasing to 5% after 9 years             |

**NOTE 14 – COMMITMENTS**

The Town is currently in the process of constructing a new elementary school. As a result, the Town has entered into, or is planning to enter into, contracts totaling approximately \$26.6 million to complete the project. The project is currently in the construction phase. Approximately \$22.3 million has been spent on the project at June 30, 2009. The project is expected to be funded by bond proceeds and a 40% MSBA state grant.

The Hingham Municipal Lighting Plant has various power purchase commitments as more fully described in Note 15.

**NOTE 15 – POWER PURCHASE COMMITMENTS**

The Hingham Municipal Lighting Plant has entered into a contract with Integrys Energy Service to purchase 10MWs per year. This purchase power contract is effective from 2006 through 2010 with an estimated annual cost of \$7,047,420.

The Hingham Municipal Lighting Plant has also entered into various long-term agreements to purchase power from other utilities through Energy New England (ENE). These power contracts began in 2008 and go through to the year 2015.

Through membership in Massachusetts Municipal Wholesale Electric Company (MMWEC), the Lighting Plant is contingently liable on various projects in which they participated as described below.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payments of bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of FPL Energy, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program in an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook Station extends to March, 2030. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond 2030.

Pursuant to the Power Service Agreements (PSAs), the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billing. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the Lighting Plant.

As of December 31, 2008, total capital expenditures for MMWEC's Projects amounted to \$1,551,793,000, of which \$61,140,000 represents the amount associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$570,245,000, of which \$20,785,000 is associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such an amount is not allocated to the Lighting Plant. As of December 31, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$663,144,000 of which \$24,275,000 is anticipated to be billed to the Lighting Plant in the future.

In addition, under the PSAs, the Lighting Plant is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Lighting Plant's total O&M costs including debt service under the PSAs were \$7,443,000 and \$7,518,000 for the years ended December 31, 2008 and 2007 respectively.

The Hingham Municipal Lighting Plant's annual energy costs related to its long-term power purchase commitments as of 2008 are approximately as follows:

For Years Ended December 31,

|                 |    |                          |
|-----------------|----|--------------------------|
| 2009.....       | \$ | 19,163,225               |
| 2010.....       |    | 11,435,572               |
| 2011.....       |    | 7,127,036                |
| 2012.....       |    | 7,083,582                |
| 2013.....       |    | 5,628,055                |
| 2014 -2018..... |    | 9,561,745                |
| 2019.....       |    | <u>223,000</u>           |
| Total.....      | \$ | <u><u>60,222,215</u></u> |

#### NOTE 16 – CONTINGENCIES

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

#### NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

- The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2009. This standard has changed the basic financial statements and the related footnotes and required supplementary information.
- The GASB issued Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented in fiscal year 2009. The basic financial statements were not impacted by this Statement.

- The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented in fiscal year 2010. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented in fiscal year 2009. The basic financial statements were not impacted by this Statement.
- The GASB issued Statement #53, Accounting and Financial Reporting for Derivative Instruments, which is required to be implemented in fiscal year 2010. The standards requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was implemented in fiscal year 2009. The basic financial statements were not impacted by this Statement.
- The GASB issued Statement #56, Codification of Accounting and Reporting Guidance Contained in the AICPA Statement on Auditing Standards, which was implemented in fiscal year 2009. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The basic financial statements were not impacted by this Statement.

Future implementation of GASB Pronouncements:

- The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. The implementation of this GASB will impact the Town's financial statements, as it changes fund balance components into Nonspendable; Restricted; Committed; Assigned; and Unassigned amounts.